

## EXECUTIVE SECRETARIAT

## Routing Slip

TO:		ACTION	INFO	DATE	INITIAL
1	DCI				
2	DDCI				
3	EXDIR				
4	D/ICS				
5	DDI	X			
6	DDA				
7	DDO				
8	DDS&T				
9	Chm/NIC				
10	GC				
11	IG				
12	Compt				
13	D/EEO				
14	D/Pers				
15	D/OEA				
16	C/PAD/OEA				
17	SA/IA				
18	AO/DCI				
19	C/IPD/OIS				
20					
21					
22					
	SUSPENSE		18 March		
			Date		

## Remarks:

Please prepare acknowledgment for DCI's signature. (Note previous replies prepared by OGI to Varanini correspondence.)

Executive Secretary  
2 March 1983

Date

3637 (10-81)

STAT

MEMBERS  
Dan Hauser  
Vice Chairman  
Tom Bates  
Sam Farr  
Tom Hannigan  
Wally Herger  
Frank Hill  
Patrick Johnston  
Tom McClintock  
Sunny Mojonier  
Jack O'Connell  
Don Rogers  
Don Sebastiani  
Byron D. Sher  
Norman Waters

California Legislature

Assembly Committee

on

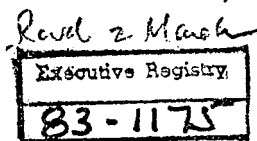
Natural Resources

TERRY GOGGIN  
CHAIRMAN

STATE CAPITOL  
SACRAMENTO 95814  
TELEPHONE: (916) 445-9367

CONSULTANTS:  
Ross S. Clark  
William S. Grow  
Susan McCabe  
Emilio E. Varanini III

COMMITTEE SECRETARY:  
Darlene E. Fridley



*att: ER82-11031*

February 18, 1983

Director William J. Casey  
Central Intelligence Agency  
Washington, D.C. 20505

Dear Mr. Casey:

Enclosed are final drafts of the policy components of an energy contingency plan for California. This plan is intended to fulfill statutory mandates to update California's contingency plan every five years (see California Public Resources Code Sections 25700 et seq.). As presiding member of the Energy Commission's Energy Contingency Planning Committee, these drafts were prepared under my direction. The Committee would appreciate your comments on the policies and procedures that are contained in these final drafts.

This material reflects the Committee's broad view of energy contingency planning. We have sought to develop policies for long-term vulnerability reduction as well as for managing the acute effects of petroleum shortages. In the case of long-term vulnerability reduction, the issues we have addressed are the cyclic nature of petroleum supply and price concerns, and the effects of these cycles on economic growth in general and on investments in energy projects--efficiency of use, alternatives, synthetics--that over the long run increase national and state energy security. For shortage management strategy, the Committee has developed an approach that accommodates current federal policy on contingency planning as well as lessons learned from previous unsuccessful attempts by the federal government to mitigate shortages through price controls and allocation. We outline for state government a mixture of "laissez faire" and market assistance directives that combine the efficiency of market allocation with the political reality of a government response if social and economic conditions become chaotic during a shortage.

*C115*

February 18, 1983  
Page 2

We have not included a set of lengthy appendices that contain the details for implementing five critical elements of the shortage contingency plan.

- (1) Information collection and analysis.
- (2) Organizational structure within state government for shortage management.
- (3) A state fuel set-aside program.
- (4) Demand reduction programs.
- (5) A state revenue recycling program aimed at alleviating hardship among poor sectors of the economy.

Together, these program elements total close to 1,500 pages. Their length is a function of the complex and varied circumstances under which they may have to be used. These circumstances are explained in the policy pieces that are enclosed for review. Copies of these appendices are available from the Committee upon request.

Another set of appendices will also be published with the final report. These are background reports that have been prepared by the Commission's staff as part of our contingency planning effort. These reports were circulated as appendices to the earlier draft of the contingency plan entitled Moving Toward Security. They include:

- (1) The Emergency Energy Conservation Act of 1979: A State Perspective.
- (2) Toward a Theory of California's Gasoline Shortages.
- (3) Complexities of the Gasoline Shortage System.
- (4) Oil Allocation Supply Test: A Final Report Concerning the California Energy Commission's Participation in a Test of the International Oil-Sharing Agreement.
- (5) The International Energy Agency: National Commitments and State Contingency Planning.
- (6) Energy Contingency Planning for Local Governments.

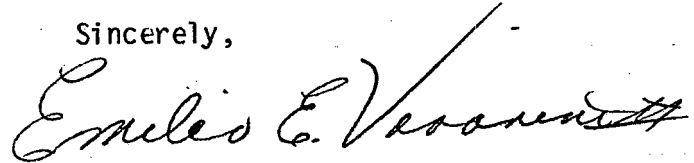
One additional staff report is also available entitled Local Vulnerability Reduction. This report focuses on helping local jurisdictions to take effective independent actions to reduce their own vulnerability to energy shortages. This report has not been distributed previously. Again, all of these reports are available from the Committee.

After two and one-half years of research in the area of contingency planning, I am confident that the enclosed drafts and appendices meet, and in many areas establish, the state of the art in contingency planning. It is important now to complete the Energy Commission's task of implementing this plan so that it is ready when and if it is needed. The Contingency Planning Committee seeks your comments as part of this final implementation process.

February 18, 1983  
Page 3

My term with the California Energy Commission expired on January 7, 1983. The Contingency Planning Committee is now composed of Commissioners Rusty Schweickart (presiding member) and Geoffrey D. Commons. The new committee, which will assume responsibility for the Commission's adoption of a final document, may wish to change the content of these drafts before adoption. Your comments will be especially helpful to the new committee in carrying out its responsibilities.

Sincerely,

A handwritten signature in cursive script, reading "Emilio E. Varanini, III". The signature is written in dark ink and is positioned above the printed name.

EMILIO E. VARANINI, III

Enclosures

EEV:AL16fb